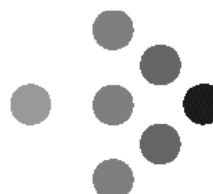




The Foreign Policy Centre



ON THE BRINK OF EU MEMBERSHIP: IS POLAND A FORCE FOR CAP REFORM OR STABILITY?

Proceedings of joint roundtable seminar arranged by the Foreign Policy Centre (London) and the Institute of Public Affairs (Warsaw) 5th July, 2002 in Warsaw

Over 20 roundtable participants discussed

- the Commission's proposal for a Mid Term Review;
- Polish perspectives on the future of the CAP;
- and whether Poland would be force for CAP reform or stability once an EU member.

Prominent speakers included Mr. Jerzy Plewa, Deputy Minister for Agriculture and Rural Development; Lord Haskins (FPC); Professor Lena Kolarska-Bobinska (IPA); Dr. Waldemar Guba (The Foundation of Assistance Programmes for Agriculture); Professor Jerzy Wilkin, University of Warsaw; Mr. Krzysztof Kamieniecki, vice-president of the Institute for Sustainable Development; Mr. Jacek Soska from the Rural Centre of European Integration.

CHALLENGES FOR POLISH AGRICULTURE AND RURAL AREAS

- Polish rural areas lack much infrastructure necessary for a competitive agriculture sector. Most farms are small and inefficient. However, there are

many farmers who want to compete with EU farmers (estimated number of farms able to compete is between 400 – 800 thousands), but they must not be disadvantaged by unequal treatment.

- Poland has shown that its farmers can compete with the West in some products, but they will be hampered if they do not get full access to direct payments whilst being asked to contribute fully to the EU budget and lower their institutional prices to the Community levels.
- Polish farming is much less intensive than EU agriculture, giving the country a strong potential as a major organic food producer. However, one thing is to have low intensity agriculture, another to be able to turn this into a marketing advantage. Poland lacks an organic certification scheme or public funds for conversion. It was important that governments be careful about over-promoting organic farming given that consumer demand can change, and the organic premium could fall. One policy option to encourage organic farming would be to exclude organic produce from quota limits.
- The US is increasing support for its farmers, which will enhance their competitiveness compared to European farmers. One effect of the recent US Farm Bill is to strengthen the political legitimacy of agricultural support on the grounds that agriculture is different from other economic sectors.

THE MID-TERM REVIEW OF THE CAP

- The Polish Government does not have an official position on the Mid-Term Review (MTR). Poland will support those who argue for equal treatment of all EU farmers. Many proposals in the MTR are attractive to Poland:
 - Simplification of the CAP
 - Fairer distribution of funds between farmers
 - Environmental support would benefit Poland because of its low-intensity farming
- However, Poland has reservations about:
 - decoupling support

- renationalisation of the CAP, for example through increased co-financing of the second pillar. In some quarters, particularly farm organisations, the calls for MTR to be used for CAP reform are viewed with considerable suspicion – is this an attempt to deprive Polish farmers or re-nationalise the CAP?
- The European Commission's proposal of 25% of direct payments for accession farmers is not fair.
- There is a suspicion that the MTR is premature or an unapproachable way of negotiations with accession countries. Will one outcome of the MTR be a way of curtailing CAP payments to accession countries?
- The MTR could help Poland in providing more money than it has been offered by European Commission.
- There are certainly many benefits that European Commission offers to Polish farmers, but there is also a danger that EU membership might perversely further disadvantage Polish farmers whose incomes lag behind the representatives from the other occupational groups. To some, EU-membership will be perceived as an even worse deal than the old COMECON.
- Polish farmers are historically strongly attached to their land, and ideas about consolidating holdings to enhance efficiency are extremely controversial. Resistance to agri-structural modernisation policy may surprise EU policymakers.
- POLICY OPTIONS
- EU agriculture policy should be to produce less, better quality and cheaper food. Food safety should be a high priority, and treated as a public good. Poland is concerned that production limits will disadvantage its farmers.

- EU agriculture policy makes many demands of its farmers. Agriculture is not just about producing market goods. It also produces public and quasi-public goods. The policy question is how to reward farmers for this “multifunctionality”.
- Agriculture policy should support the operations of the market, although it should protect the environment. Agriculture policy should be directed to the development of infrastructure in the broadest sense, including economic and social capital. This means a shift from market support to development support, and simplification of the policy.
- There are number of risks in shifting the support (modulation) from the first pillar to the second pillar of the CAP. Expenditures on the first pillar are easy to disburse and to be taken over by the farmers, and the results are immediate. The second pillar funding is more like investment, with longer-term returns. The second pillar has significant administrative requirements. For the reason of Polish experience with SAPARD, the programme has been beset by delays in implementation. The second pillar currently requires co-financing, which is a way of re-nationalising the CAP through the backdoor. Wealthy countries can provide a lot of co-financing while poorer countries cannot.
- Poland should make use of NGOs in implementing rural policies and thus improve administrative capacity of the country.
- There is no necessary conflict between agricultural development and broader development of the Polish economy. It is important that policy-makers do not divide Poland into town and country. Both town and country are stakeholders in rural development. Rural development will have agriculture as its starting point, simply because agriculture and food production is the dominant economic activity in rural areas.
- There is a risk that a shift from market support to environmental support will preserve the large development gap between modern European farming and Polish farming. The solution for Poland is asking for “welcome fund” from the EU to fund a quantum leap in agricultural development and modernisation.
- Polish environmental groups want to get involved in the debate on agriculture policy and the future of the CAP, with a balanced approach to the development of rural areas as the central objective of the policy. Organic farming is an option for many farmers but not a solution for all of Polish

agriculture. Environmental conditions should be presented as a pre-condition of CAP funds. The representation for Polish environmental groups is not strong enough in decision-making, while farms' interests are dominating. However, this is partly a reflection of the fact that Polish farming is less supported than EU farms, and thus less straining on the environment.

- There is a clear need for CAP reform, but there is a conflict between the efficiency/productivity agenda and the consumer/environmental agenda. The modulation and second pillar cannot solve this problem alone. A paradigm shift in agricultural and food policy is needed.
- Agriculture issues are too serious and far-reaching to be left to agricultural economists. Agriculture policy is also a matter for regional and social policy.

CONCLUSION: POLITICAL CHALLENGES

- The Polish government does not have an official view on the MTR but continues to stress the importance of equal treatment. This implies new negotiations with the Commission's earlier proposal that accession states would initially only be granted a quarter of direct payments applicable to current EU farmers. EU capitals may also seriously underestimate the strong resistance among Polish farmers to accept the deal offered by the Commission as well as rejection of long-term objectives of structural consolidation of micro-holdings. Moreover, current MTR reform attempts are viewed with considerable suspicion as a way to either re-nationalise the CAP or deprive Poland of its fair share of funds. Finally, it should be possible for Poland to involve NGOs in implementing policies under the 'second pillar' of the CAP to compensate for weaker administrative capacity.